

Fairfax County Economic Index

Volume II, Number 12

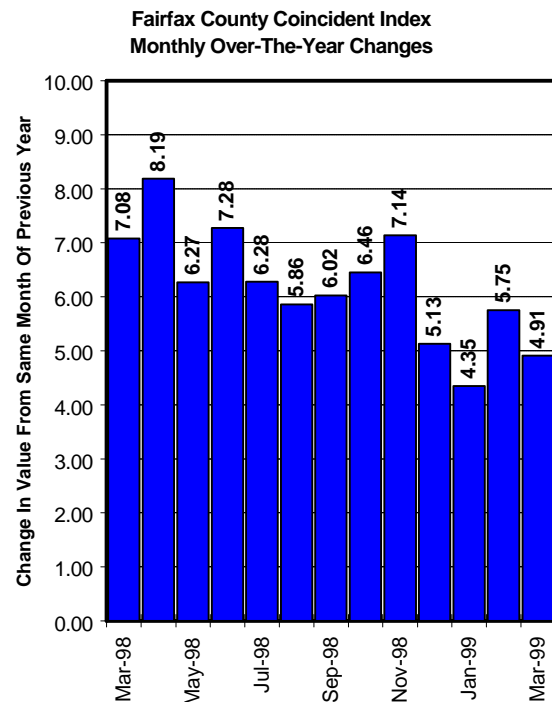
MAY 1999

Economy Shows Renewed Strength

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, was 121.3 in March, up 0.64 percent. The Coincident Index has been positive in each of the year's first three months and in seven of the past eight months dating back to July 1998. In March, three of the Index's four components were positive.

- Total employment was up 0.15 percent in March and has been positive over the first quarter;
- Consumer confidence gained for the second month attaining a new record level; and
- Sales tax receipts, adjusted for inflation and seasonal variation, increased after declining in February; but
- Transient Occupancy Tax collections, adjusted for inflation and seasonal variation, were down slightly in March following their sharp increase the previous month.

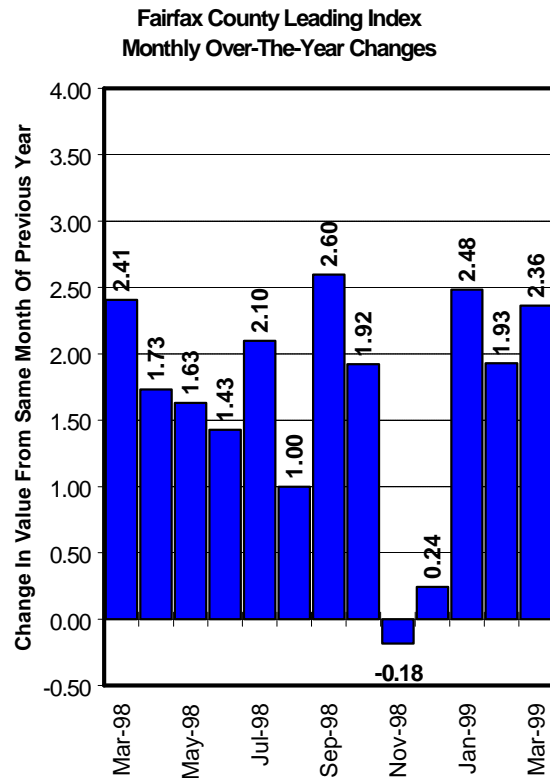
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, was 106.67 in March up 0.74 percent from February. The Leading Index has been up in three of the last four months and has trended higher over the



Source: GMU Center for Regional Analysis.

past year gaining 2.26 percent since March 1998 and now stands at its all time peak value. In March, four of the Index's five components contributed to its gain.

- New automobile registrations were up sharply in March after declining the previous two months;



Source: GMU Center for Regional Analysis.

- Initial claims for unemployment insurance declined (improved) by their largest amount in more than a year extending their decline to a fourth month;
- Consumer expectations (consumer confidence six months hence) increased after having been down in February; and
- Residential building permits were up moderately and have increased in three of the last four months; while
- The total value of residential permits declined for a second month in a row.

The Leading and Coincident Indices in March out-paced the County's economic growth trend over the past year as seen in the growing gap between the 12-month moving average line and the actual monthly index values. This pattern of growth

over the year's first quarter suggests that the economy is continuing to accelerate from its strong year-end performance in 1998.

CURRENT CONDITIONS

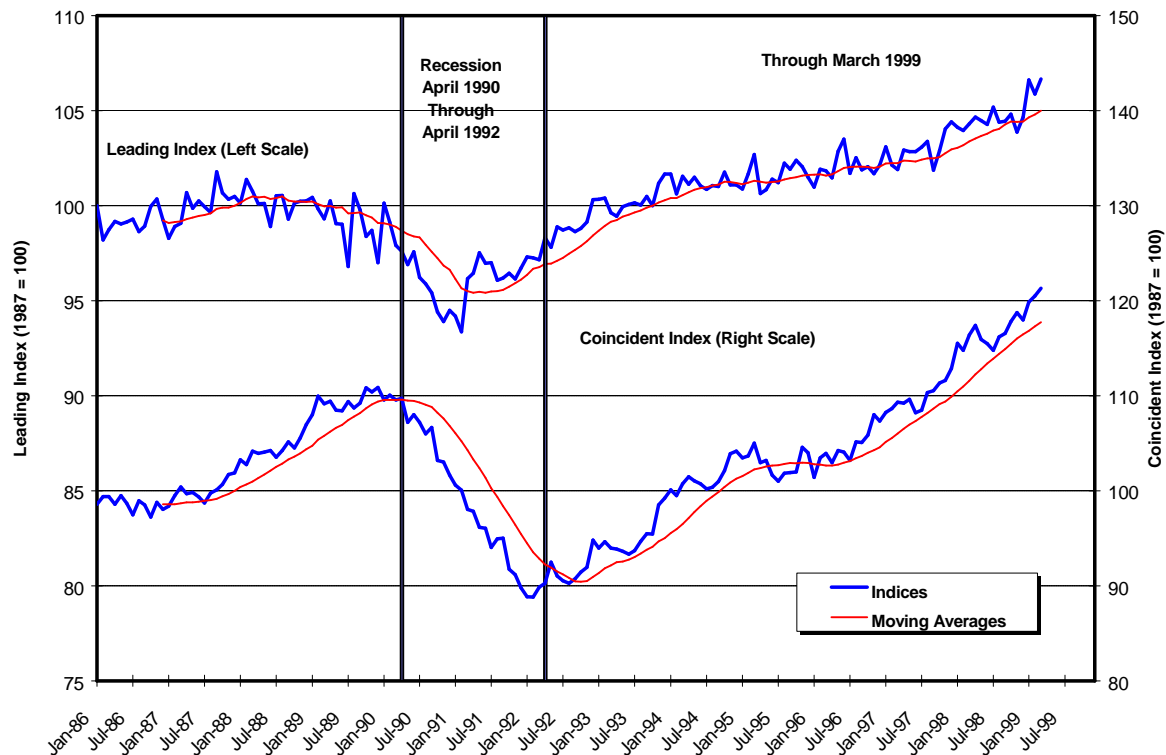
Two primary components of the economy—consumer spending and job growth—show the Fairfax County economy is currently performing at its strongest post-recession level as reflected in the record level of the Coincident Index in March. The strength of consumer spending can be seen in several indicators. Sales tax receipts in March, on a seasonally adjusted basis, were up 17.6 percent from February and, for the year, have increased by 13.2 percent from March 1998. This increase compares favorably with national trends that show same-month spending up 11.0 percent in March. Auto sales, which had lagged at the beginning of the year, surged in March to exceed same-month sales in 1998 by 43.8 percent.

Based on data from the Meyer Group, new home sales also have remained strong. For the first quarter, a total of 1,435 new homes (including condos) were sold in the County, up 12.0 percent from the 1,281 units sold during the first quarter of 1998. Reinforcing these trends in housing sales are the increases in residential building permits. These were up 21.7 percent on a monthly over-the-year basis.

Consumer spending has increased in parallel with increased consumer confidence. Consumer confidence, which declined following the sell off in the stock market last summer and as a result of the instability in international financial markets, re-established its upward trend in recent months attaining a new historic peak. As long as consumer confidence remains strong, retail spending should also remain strong helping to drive the economy's growth.

The County's employment base increased by 23,886 jobs between March 1998 and 1999. This 5 percent gain exceeded the County's average job growth rate in 1998 by nearly a full percentage point and job growth in 1999 has run ahead of 1998 levels in each of the first three months. Construction and service job gains remain the fastest growing sectors.

Business Cycle Indicators -- Fairfax County, Virginia



Source: GMU Center for Regional Analysis.

One very apparent consequence of this accelerated job growth is the continued tightening of the labor market. Unemployment has hovered around 1.5 percent since the beginning of the year and initial claims for unemployment have declined each month and are down 33 percent from March 1998.

NEAR-TERM OUTLOOK

The Leading Index has moved higher this year reflecting strength across its component indicators. Consumer expectations have turned higher, a sign that the currently high levels of consumer confidence are expected to continue in spite of international problems and growing threats of higher interest rates later in the year. The home building industry is currently having a stronger year than in 1998, which was the best year of the decade to date, and residential building permits continue to grow reflecting confidence among builders that housing demand will remain strong well into the fall.

However, there are threats that could bring the growth track lower. Besides the frequently cited problems of labor shortages and increased wage pressures, two major events may impact the economy's performance later in the year. Much has already been written about Y2K problems and their possible impact on consumer confidence and business operations. Y2K, while not likely to have significant impacts on the actual operation of the County's economy, will cause increased nervousness among consumers and this could result in lower retail spending by year's end with this trend carrying into 2000.

The possibility that the Federal Reserve Board will raise interest rates in the next several months could have a more serious impact on the economy. In fact, mortgage rates have been drifting higher since March and other long-term rates have risen recently. Higher interest rates will cause the economy to begin slowing from its record first quarter pace as early as mid-year.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Mar-99 Prelim.	Feb-99 Final	Mar-98 Final	Feb-99 to Mar-99	Mar-98 to Mar-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	121.30	120.53	116.39	0.64	4.22
Leading Index (1987 = 100)	106.67	105.88	104.31	0.74	2.26
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	497,519	496,758	473,633	0.15	5.04
<i>Total Covered Employment (Unadjusted)</i>	<i>494,429</i>	<i>490,479</i>	<i>470,692</i>	<i>0.81</i>	<i>5.04</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	356	369	351	-3.41	1.57
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>457</i>	<i>467</i>	<i>439</i>	<i>-2.05</i>	<i>4.26</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,474	7,208	7,488	17.57	13.17
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,000</i>	<i>8,899</i>	<i>8,978</i>	<i>12.37</i>	<i>11.38</i>
South Atlantic Consumer Confidence	184	182	173	1.43	6.65
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,505	6,033	4,524	7.82	43.79
<i>Automobile Registrations (Unadjusted)</i>	<i>6,610</i>	<i>4,840</i>	<i>4,597</i>	<i>36.57</i>	<i>43.79</i>
Initial Unemployment Claims (Seasonally Adjusted)	509	621	760	-17.99	-33.01
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>558</i>	<i>673</i>	<i>833</i>	<i>-17.09</i>	<i>-33.01</i>
South Atlantic Consumer Expectations	105.5	103.4	113.9	2.03	-7.37
Residential Building Permits (Number of Units, Seasonally Adjusted)	985	790	809	24.66	21.71
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>1,183</i>	<i>679</i>	<i>972</i>	<i>74.23</i>	<i>21.71</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	41,575	47,338	41,887	-12.17	-0.75
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>71,594</i>	<i>55,134</i>	<i>70,268</i>	<i>29.85</i>	<i>1.89</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	542,258	544,757	535,666	-0.46	1.23
<i>Total Labor Force (Unadjusted)</i>	<i>544,961</i>	<i>539,805</i>	<i>533,009</i>	<i>0.96</i>	<i>2.24</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.48	1.49	1.72	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.36</i>	<i>1.46</i>	<i>1.60</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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